

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION AND NOTICE OF KENTON COUNTY)	
WATER DISTRICT NO. 1: (A) TO ISSUE)	
REVENUE BONDS IN THE APPROXIMATE PRINCIPAL)	
AMOUNT OF \$16,160,000 (A PORTION FOR)	
REFUNDING OF BOND ANTICIPATION NOTES);)	
(B) TO CONSTRUCT ADDITIONAL PLANT)	CASE NO. 91-046
FACILITIES OF APPROXIMATELY \$8,317,000;)	
(C) NOTICE OF ADJUSTMENT OF RATES)	
EFFECTIVE MAY 1, 1991; AND, (D) APPROVAL,)	
IF NECESSARY, OF CONTINUING MISCELLANEOUS)	
LONG-TERM INDEBTEDNESS)	

O R D E R

IT IS ORDERED that Kenton County Water District No. 1 ("Kenton District") shall file the original and 12 copies of the following information with the Commission no later than May 28, 1991, with a copy to all parties of record. Each copy of the data requested should be placed in a bound volume with each item tabbed. When a number of sheets are required for an item, each sheet should be appropriately indexed, for example, Item 1(a), Sheet 2 of 6. Include with each response the name of the witness who will be responsible for responding to questions relating to the information provided. Careful attention should be given to copied material to ensure that it is legible. Where information requested herein has been provided along with the original application, in the format requested herein, reference may be made to the specific location of said information in responding to this information request.

1. State Barry Dixon's Kentucky registration number.
2. List James H. Volk III's educational degrees. Identify the educational institution from which each degree was received and the date each was awarded.
3. State whether Mr. Volk is a registered Professional Engineer in Kentucky. If so, state his registration number.
4. List Craig Patterson's educational degrees. Identify the educational institution from which each degree was received and the date each was awarded.
5. State whether Mr. Patterson is a registered Professional Engineer in Kentucky. If so, state his registration number.
6. For each proposed construction project, state the length of time required to complete the project once a certificate of public convenience is obtained.
7. Provide all correspondence between Kenton District and the Division of Water of the Natural Resources and Environmental Protection Cabinet ("DOW") regarding the problems which Project BB is intended to remedy.
8. Provide all orders or directives from DOW to Kenton District which relate or refer to the proposed construction projects.
9. Refer to Prefiled Testimony of Barry Dixon, Question 16, and Prefiled Testimony of James H. Volk, Question 8. Explain the discrepancy in the witnesses' testimony regarding the estimated cost of Project AA and Project DD.
10. List Kenton District's projected peak daily demand for each calendar year for the period 1991-1996. Indicate the portion

of demand attributable to Campbell County Kentucky Water District ("Campbell District").

11. List all sources of interest income for the test year. For each source, state the amount of interest income and whether the source is restricted. If a source is restricted, indicate the source's restricted use.

12. Explain why a 20-year maturity period was chosen for the proposed Series 1991 Bonds.

13. State whether the interest income from the Debt Service Reserve for the proposed Series 1991 Bonds will be available to service annual principal and interest payments on these bonds.

14. Refer to Exhibit L (Corrected), Schedule 4, Item 1, of Kenton District's application.

a. State whether all Kenton District employees received a 4 percent wage increase on January 1, 1991.

b. Identify any Kenton District employee who did not receive a 4 percent wage increase on January 1, 1991 and state the reason for his exclusion.

c. State Kenton District's policy for determining employee wage increases.

d. Provide all calculations supporting the capitalization of 2.25 percent of all salaries.

e. Explain the discrepancy between Exhibit L (Corrected) which lists total 1990 salaries as \$2,101,173 and Exhibit C, page 30 which lists total 1990 salary expense as \$1,846,241.

15. Refer to Exhibit L (Corrected), Schedule 4, Item 2, of Kenton District's application.

a. Identify the city to which payroll tax is paid. If more than one city is paid, state the amounts paid to each city.

b. Explain why an employee's payroll tax is a liability of Kenton District.

c. State the rate at which the payroll tax is applied.

d. State whether the salaries and wages of all Kenton District employees are subject to this tax. If all Kenton District employees are not subject to this tax, identify which employees are subject and state the reason for their liability. Also identify which employees are not subject to the tax and state the reason why they escape this tax.

16. Refer to Exhibit L (Corrected), Schedule 4, Item 3, of Kenton District's application.

a. Provide written evidence of the amount of Kenton District's medical and dental insurance premiums for the test year and 1991.

b. State the effective date for the current medical and dental insurance rate.

c. State whether all Kenton District employees are covered under Kenton District's existing medical and dental insurance programs.

d. Identify any employees who are not covered by Kenton District's insurance programs and explain their lack of coverage.

e. State whether all Kenton District employees receive the same type of medical and dental insurance coverage.

f. If different types of medical and dental insurance coverage are provided, list all available insurance plans and the number of employees covered by each plan.

17. Refer to Exhibit L (Corrected), Schedule 4, Item 4, of Kenton District's application.

a. Provide written proof of the proposed July 1, 1991 increase in the employer's contribution rate to the Kentucky County Employees' Retirement System ("CERS").

b. Provide written proof of the August 1, 1990 increase in CERS employer's contribution rate.

c. State whether all Kenton District employees are covered by CERS. Identify any employees not covered under CERS.

d. State the level of salary and wage expense not subject to CERS contribution.

e. Identify those items of a Kenton District employee's total compensation package are subject to CERS contribution.

f. Provide a breakdown of the annual retirement plan expense showing employer contributions and unfunded past service cost liability. This schedule shall include all calendar years in which Kenton District belonged to CERS.

18. Explain how Kenton District determined that the average cost to repaint a storage tank is \$65,000. Show all calculations.

19. Refer to Exhibit L (Corrected), Schedule 4, Item 6, of Kenton District's application.

a. State how it was determined that the Taylor Mill Treatment Plant's annual production would increase to 2,190,000,000.

b. Provide all correspondence, internal memorandum and other written documents which discuss the Taylor Mill Treatment Plant's water production levels for the period after December 31, 1990.

c. List the Taylor Mill Treatment Plant's monthly water production levels for each month of 1989 and 1990.

20. Provide all invoices received from The Union, Light Heat and Power Company for the period from December 1989 to January 1991.

21. Refer to Exhibit L (Corrected), Schedule 4, Item 10, of Kenton District's application.

a. Explain the proposed increase in salary expense. State whether salary increases would be due to increased overtime wages or the addition of new employees.

b. For each component of the proposed adjustment, as set forth in Exhibit E, page 44, of Kenton District's application, explain how the amount of adjustment was derived. Show all calculations. State all assumptions used in making these calculations.

c. State when Kenton District expects to begin to incur these proposed expenses.

22. Refer to Exhibit L (Corrected), Schedule 5, of Kenton District's application.

a. Explain why the salary levels included under "Source of Supply" and "Transmission and Distribution" - \$116,987 and \$833,357, respectively - differ from the levels listed in Kenton District's 1990 annual report (page 30).

b. State whether total "Customer Accounts" salaries is \$240,655 rather than \$240,665.

c. State whether total Source of Supply-purchased power is \$477,149 rather than \$447,149.

23. Refer to Exhibit L (Corrected), Schedule 6, of Kenton District's application.

a. Provide calculations used to obtain the WTP production percentages and power use distribution for note 2.

b. Provide calculations used to derive the WTP production percentages and the 90 percent/10 percent allocation of electric power referred to in note 3.

c. Explain why test-period "Total Source of Supply" expenses and "Total Transmission and Distribution" expenses - \$685,451 and \$2,349,017, respectively - differ from the levels reflected in Kenton District's 1990 annual report (page 30).

24. Refer to Exhibit L (Corrected), Schedule 6B, of Kenton District's application. Provide a copy of the source of "Total 1990 Expense."

25. Refer to Exhibit L (Corrected), Schedule B, of Kenton District's application. State the completion date of Items 1-3, and 5-8.

26. Refer to Exhibit L (Corrected), Schedule 9, of Kenton District's application. Explain the discrepancy between the 1990

level of depreciation set forth in Schedule 9 (\$869,499) and in Kenton District's 1990 annual report (\$869,864).

27. Exhibit I, page 10, of Kenton District's application states that the total Bond Issue for Series 1985, 1987, and 1988 is \$29,160,000. Exhibit L (Corrected), Schedule 10, states the total amount is \$31,100,000. Explain the discrepancy.

28. Refer to Exhibit I and L (Corrected) of Kenton District's application. Reconcile the amounts shown in column (1) on Exhibit L, Schedule 12, for "Total Construction Cost" and "Other Costs" with those found in Exhibit I, page 13 for "Projects Planned This Report," "Pay Principal," and "Interest of 89 Notes," "Completion of Prior Projects of Notes," and "Debt Service Reserve."

29. Refer to Exhibit L (Corrected), Schedule 13, note 4, of Kenton District's application. State why an interest rate of 6 percent is used.

30. Refer to Exhibit L (Corrected), Schedule 25, note 1, of Kenton District's application. Explain how the estimated interest rate of 7.5 percent was derived.

31. Exhibit L (Corrected), Schedule 25, includes other income from forfeited discounts, miscellaneous service revenues, and other water revenues at their test-year levels. State whether these income amounts are expected to remain at approximately the same level.

32. Refer to Kenton District's Response to the Commission's Order of March 4, 1991, Item 13a.

- a. Explain the large total decrease in Accounts 633 and 641.
- b. Explain the large total increase in Account 675.
- c. Explain the large total increase in Account 926.
- d. Explain the increases occurring in March and December in Account 403.

33. Reconcile the total salary expense found at Kenton District's Response to the Commission's Order of March 4, 1991, Item 13c, line 1, with the total salary expense listed in Kenton District's 1990 annual report and Exhibit L (Corrected), Schedule 4, Item 1.

34. Refer to Kenton District's Response to the Commission's Order of March 4, 1991, Item 13c.

- a. Explain why administrative and general expenses, shown on line 7, other than Item (a), are included in the calculation of total salaries and wages.

- b. Kenton District states that wages capitalized during the test year were 1.76 percent. Exhibit L (Corrected), Schedule 4, Item 1, of Kenton District's application indicates that 2.25 percent of salaries were capitalized during the test year. Explain the discrepancy. State the correct percentage to be used.

35. Refer to Kenton District's Response to the Commission's Order of March 4, 1991, Item 16b.

- a. Describe "paying agent fees."
- b. State how often these expenses are incurred.
- c. State how the amount of this expense is determined.

36. Refer to Kenton District's Response to the Commission's Order of March 4, 1991, Item 17.

a. Explain why the total amount of Schedules D, E, and F were not included in "Other Professional Service Expenses" (line 4).

b. Explain the nature of the services provided by M. R. Advisory.

c. Explain the nature of the April 30, 1990 disbursement of \$194.80 for "Appeals for Campbell County."

d. Explain the nature of the September 26, 1990 disbursement of \$2,500 to Richardson & Associates. Describe the services provided.

37. Explain the addition of 10 employees during the test period.

38. Provide a schedule of rate case expenses incurred as a result of this proceeding as soon as they become available. This schedule shall include a breakdown of actual expenses by category, (e.g., Accounting, Legal, Engineering, etc.), specifying number of hours worked, hourly rates, and a description of services provided.

39. Describe how Kenton District currently handles the sludge produced during the water treatment process.

40. Refer to Prefiled Testimony of Craig Patterson, Question 11. Project CC is intended to correct a problem which "has required frequent and premature pump maintenance and has reduced expected operating life of said equipment." State whether Kenton

District's proposed rates reflect any reduction of maintenance expenses to occur upon completion of Project CC.

41. Provide Bid Tabulations and the Final Engineering Report when available.

42. Provide copy of Exhibits E and H which are signed, dated, and stamped by the preparer as KRS 322.340 requires.

43. Refer to Exhibit E of Kenton District's application.

a. Explain how "Engineering, Construction Services, Legal, and Other Owner's Expenses" was determined for each project. For each project, identify the individual components of this entry.

b. Explain why such costs are not factors into Project CC's cost.

c. Explain why a multiplier factor of 1.2 is used to determine Project CC's bottom-line cost.

44. Refer to Exhibit I, page 13 of Kenton District's application. Explain the use of funds entitled "Completion of Prior Projects of Notes."

45. State the total level of expenses incurred to date by Kenton District which are related to Case No. 90-020.¹ List each expense and provide a supporting invoice.

46. Describe Kenton District's efforts to explore a possible merger with other water districts or water systems. List the date

¹ Case No. 90-020, Investigation into the Feasibility of Merging Kenton County Water District No. 1, Campbell County Kentucky Water District, and Boone County Water and Sewer District.

of any discussion with officials of other water systems concerning such merger. Identify all persons involved in such discussions.

47. Describe the current status of the merger study which Campbell County Judge/Executive Ken Paul and Kenton County Judge/Executive Clyde Middleton agreed in October 1990 to conduct. Provide in this description the goals and objectives of the proposed study, the names of all participating utilities (public and municipal), and the current status of efforts to fund this study.

48. Provide cost justification to support the proposed increase in the fee for turn-off/on due to delinquent bill.

49. Provide cost justification for the proposed increase in the returned check charge.

50. Refer to Exhibit L (Corrected), Schedule 2, of Kenton District's application. Explain how the following sources of annual revenue were determined. For each source, state all assumptions used and show all calculations performed.

- a. Bills Not Included in Billing Analysis (Item 2.2);
- b. Final Bills (Item 2.3);
- c. Fire and Hydrant Usage (Item 2.5).

51. Explain why the rates set forth in Exhibit L (Corrected), Schedule 27, of Kenton District's application were rounded to the nearer cent rather than carried to the fourth decimal place as Kenton District's existing rates are.

52. Identify the type of bills not included in Exhibit L's billing analysis.

53. State what adjustments, if any, were made to test-period revenues to reflect the absorption of the City of Wilder's distribution system.

54. State whether Kenton District has a different minimum bill for meter sizes larger than 5/8 inches.

55. Explain how the proposed rates for general customers were established.

56. Explain how the average commercial bill was for 15,625 CF of water.

57. Exhibit L (Corrected) assumes that Campbell District will purchase 14 percent of its total requirements from Kenton District. Provide a cost-of-service study which assumes that Campbell District will purchase its total water requirement from Kenton District.

58. Explain why Kenton District's cost-of-service study does not account for Kenton District's maintenance of facilities with the capacity to provide maximum demands of resale customers.

Done at Frankfort, Kentucky, this 16th day of May, 1991.

PUBLIC SERVICE COMMISSION


For the Commission

ATTEST:


Executive Director